Decision 05-10-011 October 6, 2005

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Catalina Channel Express, Inc. (VCC-52), a California corporation, to increase the baseline rate for its Zone of Rate Freedom authority to the level of its current rates and to establish a new Zone of Rate Freedom for its vessel common carrier service.	Application 05-06-034 (Filed June 21, 2005)

O P I N I O N

Summary

This decision grants the application of Catalina Channel Express, Inc. (Applicant), a corporation, to increase fares on its passenger vessel service to Catalina Island. The authorized fare increases range between 10% and 15%.

Background

Applicant is a vessel common carrier (VCC) authorized to transport passengers and their baggage in scheduled service between Los Angeles Harbor (San Pedro), Long Beach Harbor, and Dana Point, on the one hand, and points on Catalina Island, on the other hand; and between points along the shoreline of Los Angeles and Long Beach Harbors. Applicant is also authorized to provide nonscheduled service to Catalina Island from Los Angeles and Long Beach Harbors, and between points on the Island.

By Decision (D.) 98-12-016, the Commission authorized Applicant to establish a zone of rate freedom (ZORF) of 10% above and below its then existing fares. Those fares became Applicant's "baseline" fares from which it could increase or decrease fares up to 10%. Applicant was last authorized to increase its baseline fares by D.04-04-004. That decision also authorized Applicant to establish a revised ZORF of 15% above and below its baseline fares.

By this application Applicant requests approval to increase its baseline fares between 10.3% and 15% for service between the mainland and Catalina Island, and between 10% and 13.5% for shuttle service between the Island points of Avalon and Two Harbors.

Applicant states that cost increases threaten its commercial viability. It cites several specific examples. The cost of medical insurance for 2005 for all three categories of Applicant's employees (i.e., singles, married person and spouse, and family coverage) has risen 20% across the board, and for the year will increase its costs approximately $132,000. Liability insurance is up 15.3%, adding about $83,000 to Applicant's budget. Salaries for Applicant's boat crew and administrative staff increased 3%. Because these categories constitute nearly 30% of Applicant's cost of doing business, the 3% adds up to almost $240,000 in additional expense.

Applicant advises that the most threatening expense category is the price of diesel fuel. It consumes more than 2.7 million gallons of fuel annually. In 2004 it paid an average price per gallon of $1.36. The total fuel cost for the year was approximately $3.7 million. Applicant budgeted fuel costs at $1.75 per gallon for 2005. The actual price paid in May of this year was $1.80 per gallon. Applicant supplemented its application on September 9, 2005, with information showing that diesel fuel prices have surged to $2.50 per gallon due to global economic forces and national events (particularly Hurricane Katrina). It states that there is no indication the price increases will retreat soon.

Included in the supplemental information is a spreadsheet that details how fuel price increases affect the cost of transporting passengers. Applicant calculates that in providing cross-channel service, for every $0.10 increase in diesel fuel per gallon, the cost of transporting a passenger roundtrip increases by $0.49. Therefore, when diesel fuel is priced at $2.50 per gallon (or $0.75 above Applicant's budget price for the year), it incurs an additional roundtrip cost of nearly $3.70 per passenger that is purely related to the increased price of fuel.

In further support of its request, Applicant points to its commitment to public service as demonstrated by its investment in superior vessels and the expanded availability of service times and routes to its passengers. In May 2004 it introduced a new $4.75 million vessel to its fleet, the Catalina Jet. This vessel replaced two older, slower vessels, and can carry 450 passengers at 33-34 knots. This is in addition to the $15 million Applicant invested in two new high-speed vessels during the period 1999-2001.

Applicant assures that it will continue to use its ZORF authority in a responsible manner. It maintains there is ample competition among VCCs involving service to Catalina Island to ensure that its fares will continue to be reasonably priced. Applicant also notes that other VCCs are currently able to adjust their fares to offset higher fuel costs under special authority granted by the Commission.[1]

Applicant states that without the relief requested it may suffer irreparable harm. At a minimum, it will be forced to operate at a severe deficit and will have no choice but to curtail scheduled service during the slower winter months to the detriment of the general public.

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[1] By Resolutions TL-19042 and TL-19051 the Commission granted temporary authority to VCCs to adjust fares within a "zone of reasonableness" whose upper limit is 15% above the carrier's authorized fares. Applicant was excluded from this authority because it holds its own ZORF of 15%.

Discussion

Applicant has demonstrated that cost increases justify an increase in its baseline fares. The fact that fuel prices have risen dramatically is common knowledge. The price increases have significantly impacted Applicant's cost of operating its VCC service. Applicant has also documented increases incurred in other expense items. We will therefore authorize Applicant to increase its baseline fares as requested in the application and to apply its ZORF to the increased fares.

Notice of filing of the application appeared in the Commission's Daily Calendar on June 23, 2005. Applicant served a copy of the application on the affected cities and counties, including the City of Avalon.

In Resolution ALJ 176-3155 dated June 30, 2005, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protest has been received. Given this status, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3155.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Findings of Fact

1. Applicant is currently authorized to operate as a VCC.
2. Applicant was authorized to establish a ZORF of 15% above and below its authorized fares by D.04-04-004.
3. Applicant's current baseline fares were authorized by D.04-04-004.
4. Applicant requests to increase its baseline fares to the level of its current ZORF fares as described in the application.
5. The proposed increases raise baseline fares between 10% and 15%.

6. Applicant requests authority to apply its existing ZORF to the new baseline fares.

7. The increased baseline fares are reasonable.

8. The request to apply the ZORF authorized by D.04-04-004 to the new baseline fares is reasonable.

9. No protest to the application has been filed.

10. A public hearing is not necessary.

Conclusions of Law

1. The application should be granted.

2. Since the matter is uncontested, the decision should be effective on the date it is signed.

O R D E R

IT IS ORDERED that:

1. Catalina Channel Express, Inc. (Applicant), a corporation, is authorized to establish the increased baseline fares proposed in the application.

2. To implement the increases authorized in this order, Applicant shall, on or after the effective date of this order, file revised tariff pages in accordance with General Order 117-Series. The revised pages and the fares listed in them shall be made effective no earlier than 10 days after the date of filing.

3. Applicant is authorized to apply its Zone of Rate Freedom (ZORF) of 15% to the new baseline fares.

4. Applicant may make changes within the ZORF by filing revised tariff pages on not less than 10 days' notice to the Commission and to the public. The tariff shall include between each pair of service points the baseline fare, the authorized maximum and minimum fares, and the fare to be charged.

5. In addition to posting and filing tariffs, Applicant shall post notices explaining the fare changes in its terminals and vessels. Such notices shall be

posted at least ten days before the effective date of the fare changes and shall remain posted for at least thirty days.

6. The Application is granted as set forth above.
7. This proceeding is closed.

This order is effective today.

Dated October 6, 2005, at Los Angeles, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
Commissioners

Commissioner John A. Bohn, being necessarily absent, did not participate.